

Message Text

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ORIGIN TRSE-00

INFO OCT-01 ISO-00 EB-11 SSO-00 NSCE-00 INRE-00 IO-14 L-03

SPC-03 SAM-01 AID-20 NSC-10 RSC-01 CIEP-02 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PA-04 PRS-01 H-03

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN IMMEDIATE

C O N F I D E N T I A L STATE 020315

E.O. 11652: GDS

TAGS: IBRD, IR

SUBJ: IBRD LENDING TO IRAN

REF: TEHRAN 739; TEHRAN 802, STATE 18730

1. IN LIGHT CONTINUING WASHINGTON CONCERN RE IMPACT ON PUBLIC AND CONGRESSIONAL SUPPORT FOR INTERNATIONAL FINANCIAL INSTITUTIONS OF "BUSINESS AS USUAL" ANNOUNCEMENT OF LOAN TO IRAN AT THIS TIME, WE ASKED WORLD BANK FOR ADDITIONAL TIME TO WORK ON PROBLEM OF FINANCIAL OFFSET ARRANGEMENTS THAT COULD BE REFERRED TO IN LOAN PRESS RELEASE. LOAN NOW NOT EXPECTED TO BE CONSIDERED EARLIER THAN FEBRUARY 5 IBRD BOARD MEETING, WITH AT LEAST ADDITIONAL 48 HOURS BEYOND BOARD ACTION BEFORE PRESS RELEASE WOULD BE ISSUED.

2. AGAINST THIS BACKGROUND AND THE EXCHANGES THAT HAVE TAKEN PLACE HERE EARLIER AND IN TEHRAN TREASURY ASST.

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SECRETARY HENNESSY AND MIKLOS MET WITH JAHANGIR AMUZEGAR THIS AFTERNOON. IN THE ENSUING DISCUSSIONS IT EMERGED THAT

WE HAD A CLEAR UNDERSTANDING OF EACH OTHERS PROBLEM AND THE DESIRABILITY OF ARRANGEMENTS BEING MADE FOR IRAN TO WORK OUT SOME OFFSETTING ARRANGEMENT WITH THE WORLD BANK FOR LOANS IT WISHED TO OBTAIN. IT WAS ACKNOWLEDGED THAT CIRCUMSTANCES MAY CHANGE IN THE FUTURE IN TERMS OF IRAN'S FINANCIAL RESOURCES OR NEEDS AND THAT OFFSETTING ARRANGEMENTS MAY NOT BE POSSIBLE INDEFINITELY. AS THERE SEEMED

TO BE NO DIFFERENCE OVER THE SUBSTANCE OF THE ISSUE WE PROCEEDED TO CONSIDER THE TEXT OF A PARAGRAPH FOR INCLUSION IN WORLD BANK PRESS RELEASE. THE AGREED TEXT IS AS FOLLOWS: QUOTE - IRAN IS ONE OF A NUMBER OF COUNTRIES WHICH BORROW PRIMARILY BECAUSE OF THE TECHNICAL ASSISTANCE WHICH ACCOMPANIES WORLD BANK LOANS, RATHER THAN BECAUSE OF A SHORTAGE OF FOREIGN EXCHANGE. THROUGH THIS PROJECT, THE GOVERNMENT HOPES TO FURTHER ITS INDUSTRIALIZATION STRATEGY, WHICH EMPHASIZES PRODUCTION OF INTERMEDIATE AND CAPITAL GOODS, INCREASED EFFICIENCY, DECENTRALIZATION, GREATER ATTENTION TO SMALL AND MEDIUM INDUSTRIES, AND BROADENING OF PRIVATE OWNERSHIP OF INDUSTRY. MEANWHILE, IN VIEW OF THE FACT THAT IRAN DOES NOT REQUIRE FINANCIAL ASSISTANCE IN THE PRESENT CIRCUMSTANCES A PROGRAM OF FINANCIAL OFFSETS, INVOLVING SUCH TECHNIQUES AS PURCHASES BY IRAN OF WORLD BANK BONDS IS BEING DISCUSSED BETWEEN WORLD BANK OFFICIALS AND IRANIAN FINANCIAL AUTHORITIES WITH A VIEW TO REACHING AGREEMENT SATISFACTORY TO BOTH PARTIES. END QUOTE. (NOTE: WORLD BANK NOT REPRESENTED AT HENNESSY-AMUZEGAR MEETING, AND MAY WISH TO EDIT MIDDLE SENTENCE OF PARAGRAPH. WE WILL INSIST WITH BANK, HOWEVER, THAT FIRST AND THIRD SENTENCES OF PARAGRAPH REMAIN AS BILATERALLY AGREED BETWEEN US AND IRANIANS.)

3. AMUZEGAR INDICATED THAT WHILE HE HAD NEGOTIATING AUTHORITY HE WAS STILL REQUIRED TO REFER THE MATTER BACK TO THE PRIME MINISTER AND WOULD DO SO IMMEDIATELY. NEVERTHELESS HE SAID HE FELT THAT IT WAS "90 PERCENT CERTAIN" THAT THE AGREEMENT WE HAD REACHED HERE WOULD BE ACCEPTED BY HIS GOVERNMENT. ASSUMING PROMPT ACCEPTANCE BY THE GOI WE WOULD HOPE TO VOTE FAVORABLY FOR THE LOAN WHEN IT COMES UP AGAIN
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BEFORE THE IBRD BOARD. WE ARE, OF COURSE, OPERATING ON THE ASSUMPTION THAT THE GOI WILL PURSUE DISCUSSIONS WITH THE WORLD BANK ON OFFSETTING ARRANGEMENTS IN GOOD FAITH. KISSINGER

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